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March 3, 2006

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: CC Docket Nos. 96-45 and 01-92; WC Docket No. 05-68
Written Ex Parte Presentation

Dear Ms. Dortch:

We are writing on behalf of IDT Corporation and IDT Telecom, Inc. ("IDT") to respond briefly to the ex parte letter filed in the above-captioned dockets by GCI on February 27, 2006. GCI's comments on IDT's Jan. 18, 2006 ex parte submission mischaracterize IDT's positions, the state of the law, and the relevant facts.

First, GCI seems to lose sight of the fact that IDT supports the same USF contribution reform that GCI does—a numbers- and connections-based contribution methodology. If the Commission acts promptly to adopt such a reform, it will render most of the other issues in GCI's letter moot. In particular, the Limited International Revenue Exemption (LIRE) needs to be addressed only as long as USF contributions are based on revenue; if the Commission eliminates revenue-based contributions, it can also eliminate the LIRE. IDT's request for a change in the LIRE applies only so long as revenue-based contributions continue.

Second, GCI complains that IDT described the Commission's contemplated action in WC Docket No. 05-68 as a "[c]hange in enhanced prepaid calling cards' contribution obligations." It was, however, the Commission that chose to commence that docket as a rulemaking proceeding, which by definition prescribes new legal obligations with prospective effect. By contrast, when GCI argues that the *AT&T Pre-Paid Calling Card* decision "set forth that debit card service, at its core, is a telecommunications service[,]" it is plainly wrong.[1] The Commission specifically said that, under current rules, it could

[1] GCI ex parte letter at 2 (Feb. 27, 2006), citing *AT&T Corp. Petition for Declaratory Ruling Regarding Enhanced Prepaid Calling Card Services*, 20 FCC Rcd 4826 at ¶¶ 14-20 (2005).

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not make such a finding based on the factual record before it, which is why it opened a new rulemaking docket.[2] GCI should not attack the messenger, as IDT merely described accurately the procedural status of the docket.

Third, GCI's characterization of the LIRE as "special treatment" ignores the current rules and the legal constraints under which the Commission must act. The Commission does not have authority under current law to assess USF contributions on providers of purely international telecommunications services.[3] The LIRE prevents the gross inequity that would otherwise occur if providers like IDT, whose revenue is primarily but not exclusively international, had to compete against international-only carriers that pay no USF contributions. IDT pays millions of dollars annually in such contributions, and is not seeking to avoid doing so; but is seeking to avoid a situation where it is burdened much more heavily than its direct competitors.

Fourth, GCI's attack on IDT for an "assumption" that most prepaid card traffic is international is also wrong. IDT cited the Commission's own USF data, which shows that prepaid traffic is overwhelmingly international.[4] GCI offered no evidence for its "experience" to the contrary, and IDT respectfully submits that the market in which GCI operates may well not be typical of traffic patterns found elsewhere in the Nation.

In short, the Commission should not be dissuaded by GCI's ill-informed complaints from promptly taking action to reform the USF contribution system and, to the extent necessary, protecting providers of international service against competitive disadvantage by updating the LIRE percentage.

Very truly yours,

Electronically signed

Russell M. Blau

cc: Tom Navin

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[2] 20 FCC Rcd 4826 at ¶¶ 2, 38.

[3] *Texas Office of Public Utility Counsel v. FCC,* 183 F.3d 393, 434-5 (5th Cir. 1999).

[4] The most recent (2003) figures show that, of total end-user prepaid calling card revenues of $874 million (out of total industry end-user revenues of $230 billion), only $69 million (about 7.9%) were derived from intrastate services, with $124 million (about 14.2%) from domestic interstate services, and the rest (77.9%) from international services. Federal-State Joint Board on Universal Service, *Universal Service Monitoring Report*, filed in CC Docket No. 96-45, Table 1.6 at page 1-25 (Dec. 2005).